

APPENDIX C – RESPONSE TEMPLATE

SUMMARY INFORMATION

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| Respondent's Name | Bord Gáis Energy |
| Type of Stakeholder | Generator in the all-island single electricity market; supplier in the Irish retail market |
| Contact name (for any queries) | Eoghan Cudmore |
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| Contact Telephone Number | 0833965941 |
| Confidential Response | [N] |

Summary of Main Messages

Bord Gáis Energy (**BGE**) welcomes the opportunity to respond to this SEM-23-044 consultation on the modification proposals that were initially discussed at the Capacity Market Code (**'Code'**) Working Group 31:

APPENDIX C – RESPONSE TEMPLATE

CMC_10_23 Mitigation of Impact on Participants Relating to 3rd Party Gas Connection Delays (Proposer: BnM)

BGE is supportive of this Modification. We see CMC_10_23 as a targeted improvement on modification CMC_14_22 as it provides increased detail around what constitutes a delay, and the determination of the cause and responsibility for delays to the schedule for gas grid connections which are fully within the control of and attributable to the Gas Connection parties and not the Participant. The unique challenge facing gas-fired new capacity projects is their dependency risk on the timely provision of the fuel connection by the Gas Connection parties which is unquantifiable at the time of the capacity auction. Unexpected delays in the delivery of this gas connection by the Gas Connection parties are outside the control of the participant and places non-forecastable and unmanageable risks on the new capacity contracts to achieve their Substantial Completion milestone by the contracted Long Stop Date. This could result in the termination of perfectly feasible new capacity projects which are otherwise on schedule to complete within the contracted timelines for reasons beyond their control. This outcome would add to, rather than mitigate against, the ongoing security of supply (SOS) concern in the SEM.

The Capacity Market Code controls and procedures should be adapted to mitigate this risk. It is imperative that capacity market mechanisms should include processes to allow participants to seek extensions to the start and end of new capacity contracts to avoid unnecessary capacity contract terminations of badly needed viable and on-schedule projects for reasons outside their control such as gas connection timelines. The specifics of this scenario of delays to gas connections for otherwise on-schedule gas-fired units¹ are a prime example of the need for these processes to allow applications for an extension to the commencement and completion dates of otherwise on-schedule new capacity contracts when appropriate. We therefore agree with the proposal to use the relevant contractual elements of a gas connection contract to specify the triggering of a delay by the Gas Connections parties, and to determine if that the delay in the Gas Connections is outside the control of the Participant. It is expected that other awarded new capacity unit types (other than gas-fired) may incur other non-controllable delays to reaching their Substantial completion milestone under the CMC, however the particular risk causation and impact that this modification is addressing applies only to gas-fired units.

The proposed approach uses recognised industry standards and ensures transparency by employing an independent expert to determine the cause for the delay(s) by the Gas Connection parties which can be provided as evidence to the SOs/ RAs. This approach will provide objectivity as to whether the responsibility for the delay to the gas connection is within the control of the participant reducing any burden of adjudication on the RAs.

We support the proposal that a participant must supply evidence to the SOs/RAs in applying for the extension caused by the delay as set out in the legal drafting contained in the modification. This evidence should be readily available for collation and submission to the SOs/ RAs and will come from an

¹ due to delays to the schedule for gas grid connections which are fully within the control of and attributable to the Gas Connection parties and not the Participant.

APPENDIX C – RESPONSE TEMPLATE

independent source as proposed. With respect to the Gas Connection Agreement, BGE agrees with the use of a ‘Second Independent Engineer’, who is fully independent of the Gas Connection agreement. This adds an additional layer of impartiality to the process.

Akin to the SEMC’s logic in Decision SEM_23_001 on CMC-15-22, BGE does not believe that this modification has retrospective effect as this modification does not seek to unwind any right or remedy which would have accrued under an existing capacity contract before the date the modification took effect.

CMC_11_23 Amendment to Drafting Introduced Under Modification CMC_15_22: (Proposer: EPUK)

BGE is supportive in principle of the following mod on the basis of Section A.1.2.1, to ensure there is no undue discrimination between units in the Capacity Market, based on their jurisdiction.

CMC_12_23 Facilitation of Unit Specific Price Caps for Existing Capacity in Excess of the Auction Price Cap: (Proposer: EPUK)

As BGE stated in Workshop 31, **BGE are not supportive of the proposed changes in this modification to the current rules around the APC**, specifically with respect to being able to bid USPC in excess of the auction price cap. Increasing levels of capacity and market penetration by renewable generation in coming years can be expected to impact the bidding levels used by existing units in capacity auctions to meet their enduring commercial operation requirements. This will likely increasingly see existing units having to bid using a USPC at a level much above the ECPC. However, a key concern with moving the USPC beyond the APC in any auction is that it undermines the role of competition and getting optimum value for the consumer if effectively non-transparent “pay as bid” outcomes above APC become prevalent, and this in turn undermines investment signals. BGE’s firm belief is that significant consideration needs to be given to determining a competitive process that will apply for the transition to decarbonisation in which many efficient existing units have a key role. That competitive process needs to provide a decarbonisation signal for existing units and consider if the same process or another process is required for signalling decarbonised dispatchable new generation too. We would also welcome any additional clarity on the existing USPC process as offered by the RAs in the workshop.

CMC_13_23 Min Completion Prior to Long Stop Date: (Proposer: TSO)

BGE supports this Modification, as it ultimately aims to allow more capacity to participate in the capacity year. In addition, it will reduce the delay in units receiving capacity payments and being eligible for difference charges.

APPENDIX C – RESPONSE TEMPLATE

CMC_14_23 Locational Capacity Constraint Violation Criteria: (Proposer: TSO)

BGE rejects this proposed modification. BGE was not supportive of the Modification **CMC_08_22-Locational capacity Constraints Max Quantities**, on the basis that it is reinforcing constraints on the system rather than addressing them and this undermines the proper functioning of the market. It is the opinion of BGE that the SOs must accommodate the outcome of the most cost- efficient plants clearing, rather than basing solutions on geographical location that could exclude candidate units that are in merit by price. By imposing LCC Max Quantities there is a risk that some efficient conventional generation which is crucial for security of supply could miss out on capacity, adversely affecting security of supply (SOS) which is contrary to the objective of the capacity market code.

The direct result of the introduction of Max LCC quantities in CMC_08_22 means a scenario now exists where no feasible solution could be found, as either the LCC Max Quantity or LCC Required Quantity needs to be violated in order to solve.

BGE strongly disagrees with the approach taken in CMC_14_23, in which the priority is placed on cost minimisation to the detriment of security of supply within a constraint area. BGE previously expressed these concerns in our response to CMC_08_22 in SEM-022-027 on Sep 30th, 2022 – *‘by imposing LCC Max Quantities there is a risk that some efficient conventional generation which is crucial for security of supply could miss out on capacity, resulting in this modification adversely affecting security of supply which is contrary to the objective of the capacity market code’*. CMC_14_23 heightens these concerns as there is now a very plausible scenario where the minimum required LCC quantities may not be met.

We believe that in the event of an infeasible solution that needs to violate a LCC Criteria in order for it to be solved, SOS should be the priority. The LCC Required Quantity should be the inviolable and LCC Max Quantity should be violated instead. The LCC Required Quantity is a cornerstone of the Market and in keeping with the principles of the CMC, while the introduction of LCC Max Quantity is a response to the shortcomings in the SOs’ efforts to adequately address the constraints on the grid.

There is still insufficient clarity on the methodology on how LCC quantities are set. BGE requests more information on this as early as possible, ideally as part of the imminent capacity requirement setting information paper, to better understand the finer details of how the select LCC Quantities are chosen.

APPENDIX C – RESPONSE TEMPLATE

CAPACITY MARKET CODE MODIFICATIONS CONSULTATION COMMENTS:

APPENDIX C – RESPONSE TEMPLATE

| ID | Proposed Modification and its Consistency with the Code Objectives | Impacts Not Identified in the Modification Proposal Form | Detailed CMC Drafting Proposed to Deliver the Modification |
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APPENDIX C – RESPONSE TEMPLATE

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| <p>CMC_10_23: Mitigation of Impact on Participants Relating to 3rd Party Gas Connection Delays</p> | <p>BGE Agrees with the proposed modification – please see our detailed rationale above</p> | <p>The reason for suggesting the alternative text below is it was unclear what the duration of the delay period that would be applied was, and the text needed to be simplified to make clear that the total delay caused by the gas connection party (when in their control) is the delay period applied to the contract start/ end dates.</p> <p>Original: Eligible 3rd Party Gas Connection Delay means, In the first instance the delay period to the Substantial Financial Completion (SFC) milestone, as submitted by the Participant, caused by either an executable gas connection contract not being available within the SFC milestone or by a delay in the provision of an executable version of the contract beyond the timeframe permitted under the offer version of the contract, where such delay is demonstrably attributable to the Connection provider. This delay in SFC would contribute to the knock on delay of the Mechanical Completion milestone which involves linking of the AGI to the exit point by the Connection Provider, thereby pushing out the Mechanical Completion milestone to the ‘target completion date’ (or equivalent meaning) as stated within the executable contract.</p> <p>Updated: Eligible 3rd Party Gas Connection Delay means, the total delay period to the commencement and completion dates of the Awarded New Capacity as contracted in a capacity auction that is directly</p> |
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| | | | <p>attributable to the Gas connection Party as agreed in the proposed legal drafting under J.5.5.2.(C)</p> <p>The participant can demonstrate non attribution of delays by having the generation equipment ready once the gas connection is provided to operate on gas and a deliverable plan for the generation unit to be connected to the AGI. There may be further eligible delays in the completion date of the connection attributable to the Gas Connection Provider beyond the ‘target completion date’ (or equivalent meaning). Where these series of related delays accumulate beyond the Substantial Completion date the Participant will submit such delays within the prescriptions herein in an application for Third party extension period. The need for this text is unclear given the clarity in this modification and has the potential to undermine the clarity in the modification. The attribution of delays is already clearly defined in J.5.5.2 (C).</p> |
| <p>CMC_11_23: Amendment to Drafting Introduced Under Modification CMC_15_22</p> | <p>BGE Agrees with the proposed modification</p> | | <p>NA</p> |

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| CMC_12_23: Facilitation of Unit Specific Price Caps for Existing Capacity in Excess of the Auction Price Cap | BGE rejects the proposed modification. Please see detailed rationale above. | Potential for significant cost to the consumer without sufficient justification for such a modification. | NA |
| CMC_13_23: Min Completion Prior to Long Stop Date | BGE Agrees with the proposed modification | | NA |

APPENDIX C – RESPONSE TEMPLATE

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| <p>CMC_14_23: Locational Capacity Constraint Violation Criteria</p> | <p>BGE rejects the proposed mod as not in keeping with CMC A.1.2.1</p> <p>(e) to provide transparency in the operation of the SEM;</p> <p>Please see further rationale above.</p> | <ul style="list-style-type: none"> • Risk of under procurement due to the introduction of LCC Max Quantity • Lack of clarity at how the methodology works in practice not a published agreed methodology • Apparent open-ended discretion on how the price for violation of LCC criteria would be priced. This would need to be agreed upon by industry and set so there | <p>NA</p> |
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| | | <p>is a strong bias toward violating Max LCC Quantities, rather than Required LCC Quantities</p> | |

NB please add extra rows as needed.